

**UNITED STATES DISTRICT COURT
FOR THE
DISTRICT OF NEW JERSEY
CAMDEN VICINAGE**

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|---|---|------------------------------------|
| COMMODITY FUTURES TRADING |) | |
| COMMISSION, |) | |
| |) | |
| Plaintiff, |) | |
| |) | |
| vs. |) | Civil Action No.: 04CV 1512 |
| |) | |
| EQUITY FINANCIAL GROUP, LLC, |) | Honorable Robert B. Kugler |
| TECH TRADERS, INC., TECH |) | |
| TRADERS, LTD., MAGNUM |) | |
| INVESTMENTS, LTD., VINCENT J. |) | |
| FIRTH, ROBERT W. SHIMER, COYT E. |) | |
| MURRAY, and J. VERNON ABERNETHY |) | |
| |) | |
| Defendants. |) | |

SIXTH INTERIM REPORT OF EQUITY RECEIVER

Stephen T. Bobo, as Equity Receiver (the “Receiver”) for Defendants Equity Financial Group, LLC, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Inc., Magnum Capital Investments, Inc., Vincent J. Firth, and Robert W. Shimer, submits this sixth interim report to apprise the Court of his activities through November 30, 2006. This report: (i) provides an overview of the receivership estate and the remaining receivership tasks; (ii) summarizes the status of the distribution process and remaining disputed claims; (iii) updates the status of potential claims against third parties; and (iv) provides an updated summary of the funds held by the receivership estate.

1. Overview of the Receivership Estate

Most of the necessary tasks for the Tech Traders/Shasta Capital Associates, LLC (“Shasta”) receivership have been either entirely accomplished or substantially completed. The claim process has been completed for all direct investors in Tech Traders and Shasta and most of the Tier 3 investors in Universe Capital Appreciation, LLC (“Universe”) which is a Tier 2 investor

in Shasta. An initial distribution has been completed for all allowed claims. As discussed below in further detail, the major remaining claim issue concerns the claims of the Sterling entities and their investors.

The Receiver has gained a full understanding of Tech Traders' business activities, as well as a generalized understanding of the activities of the Magnum entities. The Receiver has concluded that there is no basis for allowing Magnum investors or creditors to share in the remaining pool of Tech Traders' funds. No Magnum funds were invested through Tech Traders, and Magnum has already received over \$2 million in transfers from Tech Traders. This conclusion will be incorporated in the next distribution recommendation.

Another task has been to identify and investigate potential claims against various third parties. Where meritorious claims existed, the Receiver has pursued them and has been able to negotiate settlements. Those settlement terms are being submitted to the Court for approval.

The Sterling investor issues need to be fully resolved before a final distribution can be proposed and the receivership estate closed. In addition, there is the possibility of a recovery for the Shasta estate from Defendants Robert Shimer and Vincent Firth should the Court order such relief.

Remaining receivership tasks include resolving the Sterling investor claims to the extent possible, finalizing various pending settlements, completing a non-investor claim process, completing tax returns for the various receivership entities, distributing K-1 forms to Shasta members, and formulating a final distribution to investors and other creditors.

2. Distribution and Claims Status

Since submitting the Fifth Interim Report on July 28, 2006, the Receiver's attention has focused on the narrowing group of unresolved investor claims. The Court has recently adopted the Report and Recommendation of Magistrate Donio recommending the disallowance of four

disputed Tier 1 claims against Tech Traders and two of the three remaining disputed Tier 2 claims against Shasta. The primary remaining disputed claims are the Tier 1 claims of the seven Sterling entities against Tech Traders and the Tier 2 claim of Alison Shimer against Shasta.

A secondary group of disputed claims involves investors in Universe. The Receiver's motion to disallow the claims of several Tier 3 Universe investors was recently resolved in part by the Court. The motion was based upon the failure of particular investors to provide supporting documentation, their receipt of Tech Traders' funds in repayment of earlier investments with Kaivalya Holding Group and the need to aggregate related claims for distribution purposes. The Receiver plans to submit a renewed motion with respect to the Kaivalya issues.

The major unresolved claim issues concern the Tier 1 claims filed by the seven Sterling entities. As previously reported, the Sterling entities have not provided the Receiver with sufficient information to unscramble their claims and to fully trace both the ultimate sources of the funds into Tech Traders and the ultimate recipients of the distributions from Tech Traders. Many of the Sterling transactions were through offshore financial institutions whose records are not susceptible to subpoena by the Receiver. Additionally, Sterling's principals, Howell and Vernice Woltz, remain incarcerated in North Carolina without bail pending trial on their criminal charges. According to the most recent information available, their trial date has been continued until the Spring of 2007.

No additional information appears forthcoming from all but one of the Sterling entities at this time. Sterling's counsel has reported that he is unclear as to his authority to act on behalf of the Sterling entities and that he has difficulty communicating with the Woltzes because of their circumstances. However, Sterling Bank, now known as Entrust Bank Limited, has reportedly

been placed in a liquidation procedure and a liquidator appointed for it on the island of St. Lucia. The liquidator has begun to provide the Receiver with requested information.

Sterling previously provided the Receiver with a list of names and addresses of individuals represented to be most of the beneficial owners of the various accounts represented on the Sterling claim forms. No support for the transactions involving most of these individuals was provided by Sterling, although some documentation has since been supplied by individual Sterling investors. After consultation with the CFTC, the Receiver determined to distribute claim forms to all persons known or believed to have an interest in the Sterling investments with Tech Traders and request information and supporting documentation from each of these individuals. If the information received back can be correlated with Sterling's transactions with Tech Traders, then the Receiver intends to recommend that each Sterling entity's respective share of the Tech Traders' funds be distributed directly to the known investors for each such entity. However, the Receiver believes that only those Sterling investors who provide the required supporting information should be entitled to receive such a distribution.

For similar reasons, the Receiver has not yet consummated the settlement with Sterling Trust (Anguilla) regarding the funds in account #37923 at Man Financial. The Tech Traders estate will receive approximately \$750,000 from this settlement when consummated. The Receiver is uncertain whether Sterling Trust (Anguilla) will be able to return its share of the settlement proceeds to their beneficial owner and needs to verify that the person represented to be the beneficial owner in fact contributed the funds which ended up in this account. The Receiver has sought supporting information directly from the purported beneficial owner of this account.

Responses were due from the Sterling investors in November 2006, but the Receiver has granted short extensions of time where requested. Many of the initial responses are incomplete

or lack requested supporting documentation. Although additional followup will be needed, moving forward to resolve these claims is a top priority for the Receiver.

The Court has recently granted the Receiver's motion seeking authority to institute a claim process for non-investor creditors. When completed, this process will fix the total amount of allowable claims of all types against the estate, which is a prerequisite for a final distribution to all parties asserting claims against the receivership Defendants.

3. Investigation of Claims Against Third Parties

The Receiver has substantially completed his investigation of potential claims against third parties, including the former professionals for Shasta and Tech Traders and the former brokerage firms that dealt with Tech Traders, along with others who dealt with Tech Traders. The Receiver has obtained discovery from the law firms that formerly represented Tech Traders, Magnum, Shasta and Equity Financial Groups, LLC ("Equity") and from Tech Traders' former brokerage firms.

The Receiver has reached a settlement of claims against Shasta's former accountant, Elaine Teague of the firm of Puttman & Teague, subject to Court approval. The settlement will involve a substantial cash payment to the Shasta receivership estate. The Receiver has filed a motion, upon notice to all Shasta investors, requesting authority to enter into the settlement agreement.

The Receiver has reached a settlement of claims against Marshall LaFar, the Tech Traders' former landlord, concerning disputes involving Mr. LaFar's agreement to purchase equipment from the Tech Traders' estate, as well as issues arising from Tech Traders' occupancy of the leased premises. Mr. LaFar has agreed to pay \$5,000 to the estate to resolve all of these issues, subject to Court approval. The Receiver has filed a motion requesting authority to enter into this settlement.

The Receiver has also settled claims against the law firm of McDermott Will & Emery (“McDermott”) for return of fees and excess retainer, subject to Court approval. The Receiver has filed a motion requesting authority to enter into this settlement. The terms provide for McDermott to return \$132,587.16 to the estate and for both sides to exchange general releases.

The Receiver has also reached a resolution of a promissory note owed by Lynn Obester, who had borrowed \$65,000 from Tech Traders in late 2003 and early 2004. She has agreed to repay a total of \$78,000 to the receivership estate, including accrued interest. The Receiver has filed a motion requesting authority to enter into this settlement agreement with Ms. Obester.

The Receiver has also investigated a number of other claims which appeared meritorious but uncollectible. By way of illustration, Tech Traders made a loan to a corporate entity in Utah that appears to have no business and no tangible assets, and the principal disputed that any amount was owed. Another uncollectible situation involved a doctor who received back significantly more funds than he invested with Tech Traders. However, investigation into his financial situation revealed that he recently filed for bankruptcy. The Receiver filed a proof of claim in the bankruptcy proceeding, and has discontinued further efforts to pursue the claim.

4. Tax and Financial Matters

The Receiver’s accountants, FGMK LLC, prepared Shasta K-1 forms for 2005, and those were distributed to Shasta investors in March 2006. FGMK is working on preparing delinquent federal and state income tax returns for Equity, Tech Traders, Inc. and Magnum Investments, Ltd.

As of November 30, 2006, the Receiver held a total of \$4,476,547.16 in general Tech Traders and Shasta receivership accounts, including accrued interest. Another \$4,533,526.37 is held in reserve accounts for disputed claims against Tech Traders and Shasta. During the last five months, those funds have been invested in a government-backed money market fund which

offers complete liquidity with a relatively high interest rate. The most recent reported average rate was in excess of 4.7%. Interest earnings this year through November 30, 2006 are approximately \$279,000. Copies of the most recent statements for those accounts are attached to this report as Exhibit 1.

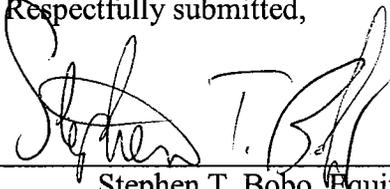
In addition, the Receiver continues to maintain the status quo with respect to Account No. 37923 at Man Financial pending consummation of the settlement pertaining to these funds. The funds in this account are primarily invested in 10 year U.S. Treasury Notes. According to the November 30, 2006 account statement from Man Financial, the nominal value of those funds is \$1,838,175.36. The Receiver is advised that the actual value of those U.S. Treasury Notes is significantly greater. Upon consummation of the settlement regarding this account, approximately \$750,000 of the funds will be transferred to the Tech Traders' receivership account.

From the date of the prior interim report through November 30, 2006, the Shasta receivership accounts have been augmented by a deposit of \$6,356.14 from an account that the Receiver recently located at Farmers & Mechanics Bank under the name of Equity Financial Group. Those accounts are also holding in trust a total of \$83,000 for the LaFar and Obester settlements, pending Court approval. Since July 1, 2006, the Receiver has made the following disbursements of funds from receivership accounts pursuant to order of Court:

| <u>Date</u> | <u>Payee</u> | | <u>Amounts</u> |
|-------------|-------------------------|--|----------------|
| 8/22/06 | Sachnoff & Weaver, Ltd. | (for professional | \$196,999.20 |
| 8/22/06 | FGMK, LLC | fees and expenses | \$26,455.54 |
| 8/22/06 | Pepper Hamilton | for the 4 th Quarter of 2005) | \$9,941.92 |
| 9/6/06 | Sachnoff & Weaver, Ltd. | (for professional | \$233,842.72 |
| 9/6/06 | FGMK, LLC | compensation and | \$16,111.64 |
| 9/6/06 | Pepper Hamilton, LLP | expenses for the 1 st Quarter of 2006) | \$8,375.35 |

Dated: January 5, 2007

Respectfully submitted,



Stephen T. Bobo, Equity Receiver